

**IOWA ASSOCIATION FOR  
EDUCATIONAL PURCHASING**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2013**

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**IOWA ASSOCIATION FOR  
EDUCATIONAL PURCHASING**

**OFFICIALS**

**Board of Directors**

<i>NAME</i>	<i>TITLE</i>	<i>REPRESENTING</i>
Francis Peterson	Board Member	Keystone AEA
Debra Rich	Board Member	AEA 267
Bruce Bahnson	Board Member	Prairie Lakes AEA
Robin Krueger	Board Member	Mississippi Bend AEA
Jim Green	Board Member	Grant Wood AEA
Dr. Earl Bridgewater	Board Member	Heartland AEA
Roger Brinkert	Board Member	Northwest AEA
Julie Wilken	Board Member	Green Hills AEA
Dr. Joy Prothero	Board Member	Great Prairie AEA
Dan Dreyer	Director of the Food Program	
Marie Hills	Administrative Assistant	

**IOWA ASSOCIATION FOR  
EDUCATIONAL PURCHASING**



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT**

To the Members of the Iowa Association for  
Educational Purchasing  
Cedar Falls, Iowa 50613

Report on the Financial Statements

We have audited the accompanying financial statements of the Iowa Association for Educational Purchasing, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Association's financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the respective financial position of the Association as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2013 on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Association's internal control over financial reporting and compliance.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
November 18, 2013

## **IOWA ASSOCIATION FOR EDUCATIONAL PURCHASING**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Iowa Association for Educational Purchasing ("Association") provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Association's financial statements, which follow.

#### **FINANCIAL HIGHLIGHTS**

- ◆ The Association's operating revenues were \$731,032 in fiscal year 2013, a decrease from \$924,808 in fiscal year 2012.
- ◆ The Association's operating expenses were \$838,789 in fiscal year 2013, an increase from \$559,691 in fiscal year 2012.
- ◆ The Association's net position decreased by \$106,971 in fiscal year 2013, a decrease from the \$365,762 increase in fiscal year 2012.

#### **USING THIS ANNUAL REPORT**

The Iowa Association for Educational Purchasing is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Iowa Association for Educational Purchasing's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Association's financial activities.

The Statement of Net Position presents information on the Association's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position is the basic statement of activities for proprietary funds. This statement presents information on the Association's operating revenues and expenses, non-operating revenues and expenses and whether the Association's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Association's cash and cash equivalents during the year. This information can assist readers of the report in determining how the Association financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### FINANCIAL ANALYSIS OF THE ASSOCIATION

#### *Statement of Net Position*

As noted earlier, net position may serve over time as a useful indicator of the Association's financial position. The Association's net position at the end of fiscal year 2013 totaled \$258,791. A summary of the Association's net position is presented below.

The unrestricted portion of the Association's net position (91%) may be used to meet the Association's obligations as they come due. The invested in capital assets (e.g., furniture, equipment, and vehicle), (9%) are resources allocated to capital assets.

	Net Position	
	June 30	
	2013	2012
Current assets	\$ 341,731	\$ 409,155
Capital assets at cost, less accumulated depreciation	22,531	13,120
<b>Total assets</b>	<b>364,262</b>	<b>422,275</b>
Current liabilities	105,471	56,513
<b>Total liabilities</b>	<b>105,471</b>	<b>56,513</b>
Net position:		
Invested in capital assets	22,531	13,120
Unrestricted	236,260	352,642
<b>Total Net Position</b>	<b>\$ 258,791</b>	<b>\$ 365,762</b>



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE ASSOCIATION (Continued)

#### *Statement of Revenues, Expenses and Changes in Net Position*

Operating revenues are received for the cooperative food purchasing program. Operating expenses are expenses paid to operate the Association. Non-operating revenues are for interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2013 and 2012 is presented below.

Changes in Net Position		June 30	
		2013	2012
Operating Revenues:			
Cooperative		\$ 731,032	\$ 924,808
Total operating revenues		731,032	924,808
Operating Expenses:			
Wages and payroll taxes		251,381	211,445
Rebates		400,000	204,036
Professional fees		125,214	104,342
Travel		14,454	13,461
Purchased services		950	5,923
Supplies		3,675	5,679
Insurance		8,319	3,878
Telephone and communication		4,387	3,349
Depreciation		5,105	3,280
Meeting expense		17,507	1,688
Marketing		1,022	1,004
Information technology		4,968	756
Repairs and maintenance		511	314
Rent		-	305
Staff dues		1,296	231
Total operating expenses		838,789	559,691
Operating income (loss)		(107,757)	365,117

(Continued on next page)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE ASSOCIATION (Continued)

#### *Statement of Revenues, Expenses and Changes in Net Position*

<b>Changes in Net Position (Continued)</b>		<b>June 30</b>	
	<b>2013</b>		<b>2012</b>
Operating income (loss)	<u>\$ (107,757)</u>	\$	<u>365,117</u>
Non-operating revenues:			
Interest income	<u>786</u>		<u>645</u>
<b>Net non-operating revenues</b>	<u>786</u>		<u>645</u>
<b>Change in net position</b>	<b>(106,971)</b>		<b>365,762</b>
Net position beginning of year	<u>365,762</u>		<u>-</u>
Net position end of year	<u><u>\$ 258,791</u></u>	\$	<u><u>365,762</u></u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease in net position at the end of the fiscal year.

Fiscal year 2013 was the second year of separate operations of the Association. In fiscal year 2013, operating revenues were \$731,032. Operating expenses were \$838,789.

#### *Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes cooperative revenue reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes the purchase of capital assets. Cash provided by investing activities includes interest income.

### CAPITAL ASSETS

At June 30, 2013, the Association had \$22,531 invested in capital assets, net of accumulated depreciation of \$6,035. Depreciation expense totaled \$5,105 for fiscal year 2013. More detailed information about the Association's capital assets is presented in Note 3 to the financial statements.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **ECONOMIC FACTORS**

The Iowa Association of Educational Purchasing began operation on July 1, 2011. In its second year of operation, the Association had approximately 325 school district clients and they purchased over \$30,000,000 of food products and lunchroom supplies through our program. We estimate that by the client's participation in our program, the Association saved them approximately \$2,100,000 in food and supply costs.

The Association fee of 50¢ per case yielded approximately \$650,000 in fees. After all expenses are paid, the Association will rebate any remaining monies to clients on a pro-rata basis.

During the 2012-13 year, the Association also employed a full-time Food Program Consultant to help clients deal with the numerous state and federal dietary regulations. This additional staff member made the program much more appealing to those who weren't yet clients and enticed several of them to join the program.

For the 2014-15 year the Association is hopeful that it will see slight increases in both the number of clients served and in total sales volume.

### **CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Iowa Association for Educational Purchasing, 3712 Cedar Heights Drive, Cedar Falls, Iowa 50613.

**IOWA ASSOCIATION FOR  
EDUCATIONAL PURCHASING**

## **BASIC FINANCIAL STATEMENTS**

## IOWA ASSOCIATION FOR EDUCATIONAL PURCHASING

Exhibit A

## STATEMENTS OF NET POSITION

June 30, 2013 and 2012

	2013	2012
<b>ASSETS</b>		
Current assets:		
Cash	\$ 341,731	\$ 409,155
<b>Total current assets</b>	<b>341,731</b>	<b>409,155</b>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	22,531	13,120
<b>Total noncurrent assets</b>	<b>22,531</b>	<b>13,120</b>
<b>Total assets</b>	<b>364,262</b>	<b>422,275</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	89,477	50,000
Accrued expenses	15,994	6,513
<b>Total current liabilities</b>	<b>105,471</b>	<b>56,513</b>
<b>Total liabilities</b>	<b>105,471</b>	<b>56,513</b>
<b>NET POSITION</b>		
Invested in capital assets	22,531	13,120
Unrestricted	236,260	352,642
<b>Total net position</b>	<b>\$ 258,791</b>	<b>\$ 365,762</b>

See notes to financial statements.

## IOWA ASSOCIATION FOR EDUCATIONAL PURCHASING

Exhibit B

STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION

Years Ended June 30, 2013 and 2012

	2013	2012
Operating Revenues:		
Cooperative	\$ 731,032	\$ 924,808
<b>Total operating revenues</b>	<b>731,032</b>	<b>924,808</b>
Operating Expenses:		
Wages and payroll taxes	251,381	211,445
Rebates	400,000	204,036
Professional fees	125,214	104,342
Travel	14,454	13,461
Purchased services	950	5,923
Supplies	3,675	5,679
Insurance	8,319	3,878
Telephone and communication	4,387	3,349
Depreciation	5,105	3,280
Meeting expense	17,507	1,688
Marketing	1,022	1,004
Information technology	4,968	756
Repairs and maintenance	511	314
Rent	-	305
Staff dues	1,296	231
<b>Total operating expenses</b>	<b>838,789</b>	<b>559,691</b>
<b>Operating income (loss)</b>	<b>(107,757)</b>	<b>365,117</b>
Non-operating revenues:		
Interest income	786	645
<b>Non-operating revenues</b>	<b>786</b>	<b>645</b>
<b>Change in net position</b>	<b>(106,971)</b>	<b>365,762</b>
Net position beginning of year	365,762	-
Net position end of year	\$ 258,791	\$ 365,762

See notes to financial statements.

## IOWA ASSOCIATION FOR EDUCATIONAL PURCHASING

Exhibit C

STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities:		
Cash received from cooperative	\$ 731,032	\$ 924,808
Cash paid to suppliers for goods and services	(542,826)	(294,966)
Cash paid to employees for services	(241,900)	(204,932)
<b>Net cash provided by (used in)</b>		
<b>operating activities</b>	<b>(53,694)</b>	<b>424,910</b>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(14,516)	(16,400)
<b>Net cash (used in) capital and</b>		
<b>related financing activities</b>	<b>(14,516)</b>	<b>(16,400)</b>
Cash Flows from Investing Activities:		
Interest received	786	645
<b>Net cash provided by</b>		
<b>investing activities</b>	<b>786</b>	<b>645</b>
<b>Net increase (decrease) in cash</b>	<b>(67,424)</b>	<b>409,155</b>
Cash and cash equivalents at beginning of year	409,155	-
Cash and cash equivalents at end of year	<b>\$ 341,731</b>	<b>\$ 409,155</b>
<b>Reconciliation of operating income (loss) to net cash</b>		
<b>provided by (used in) operating activities:</b>		
Operating income (loss)	\$ (107,757)	\$ 365,117
Adjustments to reconcile operating income (loss) to		
net cash provided by (used in) operating activities:		
Depreciation	5,105	3,280
Changes in assets and liabilities:		
Increase in accounts payable	39,477	50,000
Increase in accrued expenses	9,481	6,513
<b>Total adjustments</b>	<b>54,063</b>	<b>59,793</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (53,694)</b>	<b>\$ 424,910</b>

See notes to financial statements.



# IOWA ASSOCIATION FOR EDUCATIONAL PURCHASING

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies

The Iowa Association for Educational Purchasing (Association) is an organization formed by the Iowa Area Education Agencies (AEAs) under Chapter 28E of the Iowa Code, to assist member schools with the purchase of products and services that enhance their school meals programs in support of the educational goals of students. Member schools include Iowa public schools, accredited non-public schools and any other institution participating in the National School Lunch Program and served by the Iowa AEAs.

The Association is composed of all of the Iowa AEAs. The members are: AEA 267, Keystone AEA, Green Hills AEA, Mississippi Bend AEA, Grant Wood AEA, Northwest AEA, Great Prairie AEA, Prairie Lakes AEA, and Heartland AEA.

The Association's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, the Iowa Association for Educational Purchasing included all funds, organizations, agencies, boards, commissions and authorities. The Association has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Association to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Association. The Association has no component units that meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation

The accounts of the Association are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

#### C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting (Continued)

The Association distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Association's principal ongoing operations. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### D. Assets, Liabilities and Net Position

The following accounting policies are followed in preparing the Statement of Net Position:

Cash, Investments and Cash Equivalents – The Association considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Capital assets of the Association are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Automobile	5 years
Furniture and equipment	5 years

#### E. Subsequent Events

Subsequent events have been evaluated through November 18, 2013, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Cash

The Association's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Association is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Association; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Association had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

### Note 3. Capital Assets

A summary of capital assets at June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets				
being depreciated:				
Furniture and equipment	\$ 7,000	\$ -	\$ -	\$ 7,000
Vehicle	9,400	21,566	9,400	21,566
<b>Total capital assets being depreciated</b>	<b>16,400</b>	<b>21,566</b>	<b>9,400</b>	<b>28,566</b>
Less accumulated depreciation for:				
Furniture and equipment	1,400	1,400	-	2,800
Vehicle	1,880	3,705	2,350	3,235
<b>Total accumulated depreciation</b>	<b>3,280</b>	<b>5,105</b>	<b>2,350</b>	<b>6,035</b>
Total capital assets, net	\$ 13,120	\$ 16,461	\$ 7,050	\$ 22,531

## NOTES TO FINANCIAL STATEMENTS

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### **Note 4. Risk Management**

The Association is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in the past fiscal year. The Association assumes liability for any deductibles and claims in excess of coverage limitations.

### **Note 5. Litigation**

The Association was named as a defendant in a collateral lawsuit filed on January 27, 2011 in the Iowa District Court of Dallas County. Claims asserted against the Association and Iowa Educators Corporation include alleged violations of state antitrust laws. The parties have reached a settlement of this lawsuit, the written terms of which have been finalized. As part of the settlement, it was agreed that the Association will be added as a defendant so all claims can be dismissed and released against it as well as against Iowa Educators Corporation. In addition to certain injunctive relief, the settlement calls for the Association and Iowa Educators Corporation to pay \$150,000 in total. This entire amount will be paid by the insurance carrier. Since this is a class action, the settlement must be presented to the court for approval. A hearing is scheduled on March 5, 2014 for approval of the settlement and it is expected that the court will approve the settlement. If the court denies the settlement agreement, then the settlement will be null and void, and the case will proceed against the Association. Discovery was at a very early stage at the time of settlement, and thus it is not possible for legal counsel to provide an opinion on the likelihood of a successful outcome. While the Association does not have precise damage calculations from the plaintiffs in the case, it is possible that if the Association is found liable the damages could exceed the limits of the Association's applicable insurance policies. No additional amount has been accrued in these financial statements since the outcome of this matter is uncertain, and since the resulting additional liability, if any, cannot be determined.

### **Note 6. Pension and Retirement Benefits**

The Association contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the Association is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The Association's contribution to IPERS for the years ended June 30, 2013 and 2012 was \$18,362 and \$0, respectively, equal to the required contributions for each year.

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

**IOWA ASSOCIATION FOR  
EDUCATIONAL PURCHASING**



**SCHNURR & COMPANY, LLP**  
**Certified Public Accountants and Consultants**

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Members of the Iowa Association for  
Educational Purchasing  
Cedar Falls, Iowa 50613

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Association, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the Association basic financial statements, and have issued our report thereon dated November 18, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Association's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Association's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Association. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Association's Responses to Findings

Association's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Association's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Association during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
November 18, 2013



**IOWA ASSOCIATION FOR  
EDUCATIONAL PURCHASING**

**Schedule of Findings**

**Year ended June 30, 2013**

**PART I: Findings Related to the Financial Statements:**

**Internal Control Deficiencies**

No matters were noted.

**Instances of Non-Compliance**

No matters were noted.

**Other Findings Related to Required Statutory Reporting:**

1. Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
2. Travel Expense – No expenditures of money for travel expenses of spouses of association officials or employees were noted.
3. Board Minutes – No transactions were found that we believe should have been approved in the Association minutes but were not.
4. Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Association for Educational Purchasing during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Sohnarr & Company, LLP*

Fort Dodge, Iowa  
November 18, 2013